

**Employees' Retirement System of the County of Milwaukee  
Minutes of the March 1, 2007 Investment Committee Meeting**

1. Call to Order

Chairman John Martin called the meeting to order at 2:50 p.m. in the third floor conference room of the City Campus Building at 2711 West Wells Street, Milwaukee, Wisconsin.

2. Roll Call

Members Present

John Martin, Chairman

Dean Roepke

Michael Ostermeyer - via telephone conference

Linda Bedford

Dr. Sarah Peck

Members Excused

Marilyn Mayr

Others Present

Paul Carbone, Baird Capital

Jack Hohrein, ERS Manager

Brad Blalock, Mercer Consulting – via telephone conference

Kristin Finney-Cooke, Mercer Consulting – via telephone conference

3. Review of Chairman Holloway's Investment Letter

Chairman Martin noted that the letter had been received and placed on file with the following comment. The pension board employs and relies on professional investment manager firms to select securities for inclusion or exclusion from the ERS portfolio based on adequacy of potential returns and the generation of income of which to pay Benefits.

4. GMO Trust Notice

Regarding receipt of a document titled "Supplement to GMO Trust Prospectus dated June 30, 2006" and referencing the GMO Global Balanced Asset Allocation Fund. The Mercer representatives noted that GMO did not manage any fixed income investments for MCERS. Mr. Hohrein stated he would contact GMO to clarify the purpose of the notice.

5. Baird Capital Partners – Paul Carbone

Mr. Carbone presented an educational report on Private Equity Investments dated March 2007. He outlined some basics of private equity investments:

- These investments were long-term capital commitments of 10-year average.
- The Fund (ERS) would hold all committed cash until a call was made.
- A buyout strategy is better than venture capital investments.

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- Currently the United States had 600 to 700 private equity funds.

The committee thanked Mr. Carbone and he was excused from the meeting at 3:40 p.m.

6. Review of Replacement Candidates for Capital Guardian

The Mercer representatives reviewed a report dated March 1, 2007 hi-lighting the following international equity managers.

Baring Capital Management	Fidelity Investments
MFS Investment Manager	Julius Baer Asset Management
AQR Capital Management	Baillie Gifford & Company
Capital Guardian Trust Company	Morgan Stanley Investment Management
Arrowstreet Capital	

The Committee discussed and reviewed performance and other aspects of each manager noting the good performance of current manager GMO. A comparison of active and passive managers and index managers was made. Value managers were noted as more favorable than growth managers. Mercer stated that BGI would be a firm to consider and that a quantitative approach may be better than qualitative.

The Committee was advised that the next step would be to prepare a detailed report on each manager. The Committee requested that the report exclude Arrowstreet and Capital Guardian, as showing the least impressive risk/return relationship over the past 5 years compared to the other possible managers and to definitely include BGI.

Mr. Roepke expressed concern over trying to pick the best managers and discussed the last MID cap Manager search.

Mr. Ostermeyer requested a copy of the handouts.

7. Future Topics

The Committee reviewed the list of future topics.

8. Adjournment

The meeting was adjourned at 4:35 p.m.

  
Submitted by

Jack L. Hohrein

Pension Board Secretary

JLH